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# STATEWIDE ISSUES

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## A Fundamental Review of State Government

California government is filled with skilled and dedicated men and women, but without focused leadership State agencies have been left to drift instead of serving the public most effectively. The California Performance Review will be a comprehensive examination of what government does and how it is done. Led by people that understand the problems government faces firsthand, the Performance Review will transform state government and energize the bureaucracy so that they provide the best services to the public in the most efficient way.

The initiative has four major components:

1. **Executive Branch Reorganization**
2. **Program Performance Assessment and Budgeting**
3. **Improved Services and Productivity**
4. **Acquisition Reform**

The leadership and energy to make these reforms happen can be found both inside and outside of government. There are a handful of people in America that possess the experience with a performance review of this magnitude and they have agreed to be a part of the outside team that will train and manage 125–150 senior career managers, borrowed from within the state government bureaucracy, to conduct this review.



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The Administration will also form the California Performance Review Commission, which may consist of legislators, business men and women, representatives from local government, other Constitutional Officers, and other interested parties. The Commission will provide counsel, advice, and conduct public hearings to get input from the general public on the current performance of government operations and ways to improve that performance.

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## **Review of Business Practices of Charging Encumbrances**

Executive Order S-4-03 instructed departments to disencumber non-essential contracts and purchase agreements funded by the General Fund where the goods and services have not been received. At this time, it is estimated that \$50 million of one-time General Fund savings will be achieved. In addition to canceling current encumbrances, the Department of Finance will convene a work group of selected departments and other control agencies in January to review current practice, statutes, and regulations to determine the timing and appropriateness of charging an encumbrance.

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## **Pension Reform Package**

In the fiscal environment for the foreseeable future, the State can no longer afford the current retirement program without a reduction in benefits or an increase in employees' contributions toward the benefits. Beginning in 2004-05, the State will be pursuing two strategies to control the State's costs for pension benefits. For existing State employees, the State will be seeking to increase employees' annual retirement contributions by 1 percent of their gross pay rather than change retirement benefits; in most cases this increase will be from 5 percent to 6 percent. For most new employees who have had no expectation of a specific retirement formulae, the State will be pursuing legislation to return to the pre-SB 400 formulae.

In order to realize immediate benefits from these reforms, the State will be seeking new pension obligation bonds to pay a portion of the pension contributions until the effect of returning to the

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pre-SB 400 benefit levels is sufficiently recognized in CalPERS' actuarial projections.

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## **Health and Dental Benefits for Retired Annuitants**

The Budget proposes an increase of \$195.3 million in 2004-05 based on both premium and enrollment growth. The Administration will be examining ways to reduce future health care benefit costs.

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## **State Teachers' Retirement System**

The Budget proposes to increase funding for Benefits Funding by \$21 million as a result of an increase in teacher payroll. In addition, the Budget proposes to increase funding for the Supplemental Benefit Maintenance Account by \$526.1 million, \$26.1 million as a result of an increase in teacher payroll and \$500 million to reflect that the 2003-04 \$500 million reduction was a one-time action.

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## **Contracting For Services**

In November 2000 the voters of California recognized the imprudence of the restrictions on contracting for architectural and engineering services when they added Article XXII to the Constitution. The Administration will be pursuing a new Constitutional amendment to expand Article XXII to permit the State to contract with non-State entities for ministerial functions whenever doing so will reduce costs, improve efficiency, or improve services.

